

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6049**

**BILL NUMBER:** SB 111

**NOTE PREPARED:** Feb 24, 2006

**BILL AMENDED:** Feb 23, 2006

**SUBJECT:** Student Nutrition and Physical Activity.

**FIRST AUTHOR:** Sen. Becker

**FIRST SPONSOR:** Rep. T Brown

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

*School Breakfast Program-* The bill lowers the percentage in the definition of "qualifying school building" from 25% to 15% beginning July 1, 2007 for purposes of the school breakfast and lunch programs.

*Health Advisory Councils-* The bill requires school boards to establish a coordinated school health advisory council to develop a local wellness policy that complies with certain federal requirements.

*School Food and Beverage Sale Requirements-* The bill requires the Department of Education to provide information concerning health, nutrition, and physical activity. The bill establishes requirements applying to food and beverage items that are available for sale to students outside the federal school meal programs, including a requirement that a certain percentage of the food and beverage items qualify as better choices. The bill provides that the requirements do not apply after school hours or to fundraisers.

*Daily Physical Activity-* The bill requires daily physical activity for elementary school students in public schools, with certain exceptions.

*School Vending Contracts-* The bill allows a school to continue a vending machine contract in existence before the passage of this bill.

(The introduced version of this bill was prepared by the Health Finance Commission.)

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** (Revised) *School Breakfast Program*- Under current law, a school building that has 25% of enrollment in the free or reduced price school lunch program is required to implement a school breakfast program. The Department of Education is required to implement and process all applications for a school corporation to the federal government for school breakfast reimbursement. The Department may require reviews of additional schools that were to implement a breakfast programs under the bill. However, it is likely the Department would be able to accommodate this provision within existing staff and resources.

*School Food and Beverage Sale Requirements*- Under the bill, the Department of Education (IDOE), with cooperation from the State Department of Health, would give assistance to school advisory councils regarding health, nutrition, and physical activity. The assistance would include educational materials and professional development opportunities. The IDOE would likely be able to fund the costs associated with this proposal through a grant from the coordinated school health program from the Centers for Disease Control. The IDOE reports they receive approximately \$400,000 per year from the grant to provide health workshops to schools including student nutrition. The grant will end February 2008.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *School Breakfast Program*- As of Jan 2005, approximately 130 school buildings did not offer school breakfasts that were at or above the 15% and below the 25% lunch participation rate. These additional buildings would be required to offer the breakfast program under the bill.

*Background Information:* The federal government reimburses school lunch and breakfast programs at the cost to provide the meals to students. (Federal FY 2005 school breakfast program reimbursement to Indiana totaled \$30.1 M) Current rates of reimbursement (July 1, 2005, to June 30, 2006) for the school breakfast program from the federal government are as follows.

<b>School Breakfast Program</b>	<b>(Non-Severe Need) Rates</b>	<b>(Severe Need) Rates</b>
Paid	\$0.23	\$0.23
Reduced Price	\$0.97	\$1.21
Free	\$1.27	\$1.51

It is estimated that the 130 additional schools that would be required to enter the school breakfast program under the bill would generate approximately 123,800 breakfasts per day. The estimates on the cost to provide the additional breakfasts for one school year (180 days of instruction) are provided in the following table, which illustrates the **maximum potential federal** impact to reimburse at the non-severe need rates.

<b>School Breakfast Type</b>	<b>Estimated Additional Breakfasts (Under the bill)</b>	<b>Estimated Annual Federal Reimbursement (180 school days)</b>
Paid	54,370	$54,370 * \$0.23 * 180 = \$2.3 \text{ M}$
Reduced Price	13,780	$13,780 * \$0.97 * 180 = \$2.4 \text{ M}$
Free	55,650	$55,650 * \$1.27 * 180 = \$12.7 \text{ M}$
Total Estimate <sup>^</sup>	123,800	<b>\$17.4 M</b>
<sup>^</sup> Note: Totals may not add precisely due to rounding.		

*Secondary Impact:* The above estimates assume the reimbursement would cover the cost of the additional breakfasts. However, it is unknown if schools that currently do not have a breakfast program but have a free lunch participation rate of 15%, would have other costs for food preparation staff and materials, or need staff to supervise students.

*Health Advisory Councils-* Schools should not require additional expense to establish school health advisory committees, make committee appointments, or to establish wellness policies. School boards would likely be able to establish the committees within the course of a regularly scheduled business meeting.

*Daily Physical Activity-* Under the bill, daily physical activity would have to be consistent with the curriculum and programs developed under current law. Physical activity could include the use of recess. If recess were used to conduct the physical activity, most elementary schools (kindergarten through fifth grade, and sometimes sixth grade) should not experience any impact to expenditures. Schools would not be required to provide physical activity in times of inclement weather or other unplanned circumstances.

*Background:* The Centers for Disease Control via Cargill and the American School Health Association (ASHA) currently offers mini-grants to schools to fund increased physical education, walking trails, access to healthy snacks, and other school health programs. The total grant is \$300,000. Most mini-grants range from \$1,000 to \$5,000. Eligibility is limited to states where Cargill operates, which includes Indiana.

**Explanation of Local Revenues:** (Revised) *School Breakfast Program-* The additional schools, under the bill, would be able to apply for reimbursement via the Department of Education for the cost to provide the breakfasts at the federal reimbursement rate.

*School Vending Contracts-* Contracts existing between school corporations and soft drink vendors on the effective date of the bill would be allowed to continue until their expiration date. Under the bill, when a contract expires, the school corporation would not be able to renew the contract and would have to comply with the food and beverage qualification provisions of the bill.

The bill would affect school corporations when their soft drink contracts expire. It is possible that lost revenue from soft drink sales could be shifted to other beverages, such as fruit juice or water (several major manufacturers of soft drinks also produce fruit drinks). The specific impact to local revenue is indeterminable and would vary among school corporations by the revenue a school corporation currently retains from vending sales of soft drink and food during school hours.

The bill would also apply to foods that are not part of the federal school lunch/breakfast program. Therefore, sale of a la carte items that are not "better-choice" foods would be reduced by 50%. It is likely that food items would be substituted that are acceptable to the federal school lunch/breakfast program. School revenues from food sales could be minimally affected by this provision.

*Background:* A sample survey indicates that several school corporations have entered into contracts with soft drink manufacturers. The surveyed contracts ranged from \$27,000 to \$230,000 of guaranteed money per year to offer the products of an exclusive manufacturer. Proceeds from the contracts are used by school corporations to fund school-related activities, including education foundations, student activities, teacher development, and extra-curricular activities (such as uniforms for sports teams). A surveyed school corporation was able to secure a sixty-acre plot of land with the proceeds of such a contract, on which a new school facility was constructed.

Some corporations have contracts or agreements with more than one manufacturer. Contract amounts vary among the school corporations along with their carbonated beverage policy during school hours and other factors. The survey indicates that school corporations with a restricted access policy to soft drinks during school hours do have contracts with a manufacturer. Terms of an agreement may have a duration of three to more than ten years depending on the contract. Other school corporations may not have exclusive contracts. However, they may allow the individual schools within the corporation to secure contracts.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** School corporations.

**Information Sources:** Suzanne Crouch, Department of Education; School corporations responding to a Legislative Services Agency survey; Department of Education: Mike Gill, Director School and Community Nutrition Programs, John Todd, School and Community Nutrition Programs; [www.doe.state.in.us/food/schoolnutrition/04-05reimbrates.html](http://www.doe.state.in.us/food/schoolnutrition/04-05reimbrates.html); [www.ashaweb.org](http://www.ashaweb.org).

**Fiscal Analyst:** Chris Baker, 317-232-9851.